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## ROUTING AND RECORD SHEET

D/Pers

84-1065

SUBJECT: (Optional)

Hearing on Supplemental Retirement System - 1 March 1984

FROM:

Chief, Retirement Affairs Division

EXTENSION

NO.

DATE 1 March 1984

STAT

TO: (Officer designation, room number, and building)

DATE

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COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1.

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2 MAR 1984

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DD/Pers/SP 12 MAR 1984

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Attached are the statements read before the Committee on Post Office and Civil Service which was conducting a hearing on the Supplemental Retirement System on 1 March 1984. There was some expansion of the statements by questions, but most issues, particularly the matter of placing the retirement benefit on the collective bargaining platter, applied only to the unionized U. S. Postal Service, an independent establishment within the Executive Branch of the Government.

Chairman Ford did state that a base premise in the new supplemental plan for Federal employees will be that no earned right is lost or diminished and a possibility exists that pre 1/1/84 employees will be given an option to trade their civil service benefits for the supplemental/social security plan.

Chairman Ford also announced that the House cut the funding by 50% for the study being prepared by Hay Associates for the Committee. He stated this will require the rescheduling of some Hay work for 1985 and means no supplemental legislation in 1984.

1-3+5

This provides a good idea about what the unions think of supplemental retirement. Note Andy Ruddock's name in last testimony.

FORM 3-62

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USE PREVIOUS EDITIONS

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C1 MSA

MEMORANDUM FOR: Director of Personnel

FROM:

Liaison Division  
Office of Legislative Liaison

STAT

SUBJECT: Second House Committee on Post Office and  
Civil Service Hearing on Supplemental  
Retirement; 1 March 1984REFERENCE: Memorandum to D/PERS, dated 24 February  
1984; Subject: 1st House Post Office and  
Civil Service Committee Hearing on  
Supplemental Retirement (23 Feb 1984)

1. Attached for your information and use is a complete set of documentation resulting from the subject hearing today. The attachments include the witness list and prepared statements of all participants. Also included is a press release from the National Council Social Security Management Associations, Inc., which was not discussed but merely made available to hearing attendees. The final inclusion is a summary attempt at recreating the questions and answers that were posed and offered at varying times during the hearing.

2. Today's hearing was entirely confined to the U.S. Postal Service. Mr. Bolger, the Postmaster General, was the lead witness, and was followed by the leaders of the following postal unions:

- The American Postal Workers Union, AFL-CIO;
- The National Association of Letter Carriers;
- The National Rural Letter Carriers' Association;
- The National League of Postmasters of the United States; and
- The National Association of Postal Supervisors.

The hearing was chaired by Mr. Ford (D,MI) and at varying times was attended by seven of the 24 members of the Committee. The hearing was again well attended. Those in the audience included Mr. Ed Hustead of Hay Associates and Mr. Andy Ruddock, representing the National Association of Postal Supervisors. While the entirety of the hearing was focused on the U.S. Postal Service, supplemental retirement was still the subject and the hearing provides, I think, further useful insight into the issue for the Agency.

3. Mr. Ford, the Committee Chairman, injected a degree of uncertainty into the proceedings when he announced that his Committee's budget had been cut, in fact that his budget for the Hay Associates contract effort had been cut in half. He said that he would be sending a letter to all Committee members advising them of the budget cut and of the impact that it would have on this effort. He further announced that he would be sending a letter to Hay Associates directing them to stretch their effort on this contract out for conceivably a further year in order to accomodate the funding reduction. According to the Committee Staff Director, it is unclear at this time just what real effect this budget cut will have on the Committee timetable to have supplemental retirement legislation enacted by 31 December 1985. He is hopeful that the impact will be no more serious than a slight stretching out of the Hay work schedule, which the Committee itself could work around, but states that until he has had a chance to sit down with Hay officials and Mr. Ford, the Committee Chairman, to work out the details, no firm conclusions can be drawn.

4. I will follow up with the Committee Staff Director in ten days or so and would suggest that you do the same with Ed Hustead so that we can accurately assess the ultimate impact in a timely fashion.

STAT

Attachments:  
As stated

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The following summarizes the questions asked and answers provided during the course of the House Committee on Post Office and Civil Service hearing on supplemental retirement on 1 March 1984. It is not a complete summary, but rather is intended only to provide a flavor of the exchanges that took place.

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Mr. Taylor (R,MO) (ranking minority member): On page 3 of your testimony you suggest the need for some innovation in the investment policy used for retirement fund financing. Have you studied this issue in depth and can you share your findings with us?

Mr. Bolger (Postmaster General): The short answer is no, we have not done an in-depth study of this issue, but rather have our own actual experiences that lead to my statement. Because we have statutory authority to administer the Postal Service retirement funds, we manage the fund investments ourselves, and through aggressive management, have earned something on the order of a 14% return on these funds for the last several years. Bear in mind that we are limited to investing in Treasury instruments just as are the managers of the Civil Service Retirement System (CSRS) Trust Fund. The CSRS Fund, over this same timeframe has earned something on the order of 7 % on its investments. The results of our aggressive investment policies are significantly reduced costs for the people who pay for the Postal System retirement costs (our customers) with no reduction in the benefit level for our employees.

Ms. Oakar (D,OH): Is the existing CSRS too generous today?

Mr. Bolger: Pieces of the system were established a very many years ago and probably should be looked at again in the light of today's realities. A good example of this is the retirement age of 55. When that provision of the CSRS was enacted it probably made a lot of sense, but I'm not sure it is consistent with the realities of the 1980's. Above all else, however, you must ensure in relooking the CSRS that the outcome produces an attractive retirement plan that will both attract and retain a competent and vigorous workforce.

Ms. Oakar: Should the Congress, in developing a supplemental retirement program, offset the Social Security tilt?

Mr. Bolger: You must remember that the Social Security and CSRS systems are two entirely different and separate enactments designed to accomplish two entirely different ends. My personal opinion is that the tilt is proper in the Social Security system, but I don't think it is appropriate in a pension plan.

Ms. Oakar: How should we reconcile the differences between the Social Security and CSRS definitions of disability?

Mr. Bolger: I am not sufficiently knowledgeable in this area to provide you answer, but I will submit a response for the record if I may.

Ms. Oakar: Are proposed increases in the employee CSRS contribution rate from 7% of salary to 8% and then to 9% conscionable?

Mr. Bolger: It seems to me that it is a simple matter of costs incurred. If in fact the CSRS costs are getting out of control, then surely something like contribution increases do not seem to me to be unreasonable. The Postal Service is not experiencing this dilemma, so I cannot speak to the issue from my own experiences.

Mr. Ford (D,MI) (Chairman of the full Committee on Post and Civil Service): Are Postal Service workers willing to pay 17% of their earnings to retain the present retirement age of 55 with full retirement benefits?

Presidents of: American Postal Workers Union, AFL-CIO  
National Association of Letter Carriers  
National Rural Letter Carriers' Assoc.

Your question, stemming directly from testimony previously made by Mr. Devine, Director of the Office of Personnel Management, is a ludicrous one that doesn't warrant a serious answer. Having said that, we strongly challenge the results of the OPM survey that suggested that a high percentage of federal employees would be willing to pay up to 17% of their pay to retain their existing retirement benefits.

The key fact, at least for postal workers, is that they work for a single employer (the Postal Service) for up to 35 years, a situation not very often matched in the the private sector. After 35 years of continuous employment for the same employer, an employee is entitled to his or her promised retirement benefits.

Mr. Ford: It seems to me that another factor in this question is the cost savings that accrues to the employer, in this case the Postal Service, from a high employee retention rate, in not having to higher and train increasing numbers of new employees, plus the higher productivity that results from longer term employees.

Mr. Ford: Are your employees willing to bargain for all of their retirement benefits?

Summary of Panel members: Yes, emphatically, so long as the Postal Service bargaining agents have the full authority to make all bargaining decisions, which as you know is not now the case. In some cases the present law requires the Postal Service to come back to the Congress for the authority to consummate some aspect of a negotiation. In other cases, the Postal Service does not give its bargaining agents the authority to make their own decisions, and all of this works against the best interests of our employees. If you can solve these problems, we are willing to fully bargain for all of our benefits, in addition to the pay issues that we now bargain for.

Mr. Ford: What would be the effect of pulling Postal Service employees out of the CSRS and establishing a separate retirement system for them? I think I will have Hay Assoc. look into the demographics and issues involved in this.

Mr. Ford:

The following four paragraphs are not questions so much as they are statements that Mr. Ford wanted to get on the hearing record or opinions that he wanted to personally convey to the postal union leaders, on the record.

I strongly object to Mr. Devine's position regarding the \$515 billion unfunded liability in the CSRS Trust Fund. Everyone that we on the Committee talk to suggests that this unfunded liability issue is not a real one but just one to scare federal employees and make the Administration's argument look better. You people need to get the word out to your employees so that we can begin to refute their argument. In fact, the CSRS Trust Fund is not broke, and everyone needs to understand that.

I again say to you that the CSRS is not the overly expensive, out-of-control system that the Administration would have us believe. The federal workforce is not particularly well served by the existing CSRS anyway, given everything that has been developed and implemented in the private sector in the last 10 or so years. By implementing a supplemental retirement system that the Administration would have us do would so water down the retirement benefits of the federal workforce as to ensure the rapid departure of the best employees and make impossible the attraction of bright young new employees. The Administration talks about a brain drain. If we let it carry the day on this issue we will guarantee the very same brain drain, and we can't let that happen.

One of the main reason we amended the Social Security Act last year was because we found out that a retiring federal employee had to be a GS-09 for several years before he or she could earn as much in CSRS retirement benefits as from Social Security. By making all federal employees subject to Social Security, we ensured that the lower paid of them received a better set of retirement benefits than would otherwise be the case, because a lot of them never get to GS-09 before they retire.

The Chairman again took the opportunity to pledge to the union leadership that he would not allow the existing retirement benefits of current employees to be jeopardized, because in his opinion they had been earned and were a part of a binding "contract" that exists between both parties to the contract, the Federal Government and its employees.